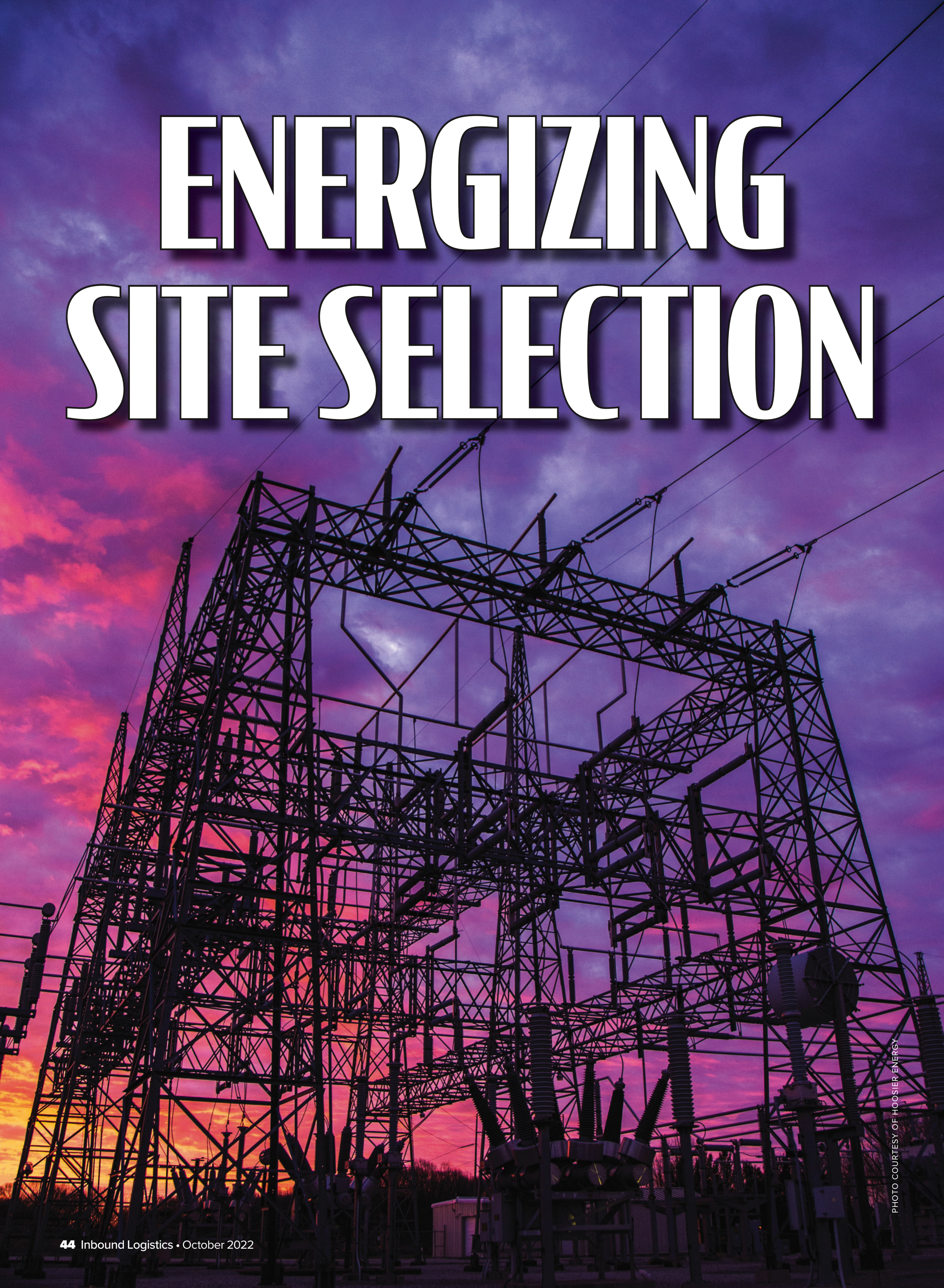
ENERGIZING SITE SELECTION



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What sparks site selection decisions? From strategic locations to tax incentives to organizations that develop custom solutions, these factors juice the site selection process.

While the real estate mantra is "location, location, location," the site selection mantra is "choices, choices, choices." The challenge of choosing the right site for your headquarters, manufacturing facility, warehouse, or distribution center is becoming increasingly complicated as the nature of logistics evolves in the digital age.

"The critical location factors for manufacturing, warehousing, and distribution are different and will become more so as integrated digital manufacturing operations technologies develop and as warehousing and distribution activities become close to fully automated," says Edward (Ned) Hill, professor of economic development and senior research associate for the Ohio Manufacturing Institute at Ohio State University.

"Critical location factors are financial and resource considerations that dominate location searches," adds Hill, who has done extensive research on best practices in site selection as well as issues involving state and local economic development.

SHARPENING YOUR FOCUS

When choosing the ideal spot for your logistics facility, the individuals and teams leading the charge must be prepared to sharpen their pencils.

"Locating a facility remains a data-driven financial spreadsheet exercise subject to a series of must-have site-specific factors," Hill says. "Locational decisions often take on a North American focus, rather than a purely U.S. focus.

"Since the population centers of Canada are stretched along the border, many distributors are including those markets in their analysis," he adds. "Similarly, companies that service manufacturing operations in Mexico need to consider how those customers will be served."

Geography, workforce quality, and regional educational assets as well as the advantages—and sometimes incentives—offered by government and local utilities all play a part in the decision-making.

If the task is to relocate an existing facility, companies can benchmark prospective locations against the current site.

"The team can see how marginal investments in current sites can recalibrate the benchmark," Hill says. "It does not surprise me that marginal investments in either the current site or current market area can outperform new sites because the comparison is between marginal cost investments versus total cost.

"The exceptions are expansions to accommodate new growth or when the existing site has become toxic for some reason," he adds.

WHO'S IN CHARGE?

As in all aspects of business, a key consideration in site selection is leadership: Has the company put together its site-location team and who will head it?

"Often the search is influenced by the job of the person who heads the effort," Hill says. "Not surprisingly, chief financial officers pay more attention to rates of return, while those with production responsibilities focus on resource availability and the current pain points in operations."

Regardless of functional bias, the journey begins in the same place. "You start with data—lots and lots of data," Hill says. And questions—lots and lots of questions. (*See sidebar on page* 52.)

General critical location factors include whether the new site is shovel-ready or close to move-in ready.

It's also important to determine if the state or economic development authority serving the area has a certified site program to ensure the site meets requirements such as whether it is in an updated flood zone; has the appropriate zoning; utilities are in place; there is room for expansion; and whether the area enjoys business-friendly public officials, building inspectors, and approval processes.

FUNNELING INFORMATION

"Site selection is a funnel," Hill notes. "Think of the search process as taking part in three phases. The first phase is internal with the search team, possibly aided by a consultant. At this stage, information is sifted with the goal of identifying the regions that the search will focus on."

In this phase, the team defines the elements of success and the critical location factors to be considered.

The second phase, he says, is outward-focused. The team begins to search commercial real estate and economic-development organization data to identify potential sites. The third phase is site analysis, where the team conducts comparative site-specific cost analyses and investigates the feasibility of specific sites.

In the logistics field, Hill says, “location, location, location” boils down to “access, access, access—then operating cost.”

Some long-established sites and services stand ready to help in that analysis, and electrify your search for the ideal location.

Hoosier Energy, an electric generation and transmission cooperative based in Bloomington, Indiana, works with companies to develop custom solutions to meet their electric needs, including facility- and transportation-related requirements.

Hoosier Energy: POWER TO SUCCEED

Eager to help companies find their sweet spot amid the galaxy of logistics stars in Hoosier Country is Hoosier Energy, an electric generation and transmission (G&T) cooperative based in Bloomington, Indiana.

Owned by 18 Rural Electric Member Cooperatives (REMCs), Hoosier Energy serves 760,000 member consumers in 59 Indiana counties in central and southern Indiana and southeast Illinois.

The region is crisscrossed by five interstate highways (I-70, I-64, I-65, I-69, I-74) with direct access to the FedEx hub in Indianapolis and the UPS hub in Louisville. The territory also includes extensive railroad transportation options and access to multiple inland ports.

“The Hoosier Energy Economic Development Team works with individual companies to develop custom solutions to meet their current and future electric needs should they be facility or transportation-related,” says Hoosier Energy Economic Development Manager Jeremy Sowders, who is a certified economic developer (CEcD).

The economic development team works with and supports state, regional, and local economic development organizations to identify and develop new potential sites near logistics assets.

In addition, Hoosier Energy assists companies in their exploration of power-related methods to economize and improve their operations, such as the use of electric vehicles (EVs).

“As EVs become increasingly important, we work with the consumer to identify the most appropriate way for them to meet their transportation goals,” Sowders says.

“As a nonprofit cooperative, our rate structures allow us flexibility to quickly and efficiently make decisions related to large projects with tight timelines,” Sowders adds. “This flexibility includes developing special contracts for specific projects that meet a company’s corporate carbon goals, including providing up to 100% of their energy needs through renewable resources.”

MEETING EVOLVING NEEDS

Together with member systems, Hoosier Energy provides reliable and affordable energy and member-driven services to meet evolving and different needs safely and sustainably, guided by cooperative principles that include democratic member control and commitment to environmental and community concerns.

“As part of Hoosier Energy’s long-range resource plan, we are going through a major power production transition with the proposed sale of our 1,000-megawatt coal-fired Merom Generating Station in 2022,” Sowders says.

“Upon completion, this will dramatically change our energy portfolio and decrease our carbon footprint by shifting toward more renewable energy resources, purchased power, and a variety of natural gas generation,” he says.

The organization’s 2021 annual report included an environmental, social, and corporate governance (ESG) update. ESG is a framework designed to be integrated into an organization’s strategy. It creates enterprise value by expanding organizational objectives to include identifying, assessing, and managing sustainability-related risks and opportunities for all stakeholders and the environment.

“We work every day to make a better life for our member communities,” Sowders says. “As the energy transition evolves, we will continue to seek innovative ways to provide economical, reliable, and socially responsible electricity that meets the energy needs of end consumers.”

CLX Logistics: TAKING A WORLDVIEW

CLX Logistics has a truly global perspective on great logistics sites and services. “We ship all over the world and we import from all over the world,” says Stephen Hamilton, Jr., vice president of ChemLogix Global, a subsidiary of CLX Logistics.

CLX is a global third-party logistics (3PL) and fourth-party logistics (4PL) provider of chemical transportation

management solutions, supply chain consulting, and intermodal transportation. In addition to locations in Philadelphia and Chicago, CLX maintains a European presence with offices in the Netherlands. The company also plans to open a new office in Houston by the end of 2022.

Hamilton's personal expertise lies in intermodal logistics. "That's where I've spent my life," he says, adding that he previously worked for both Conrail and Norfolk Southern.

"Intermodal is my bailiwick," he adds. "As I like to say, I've been working for, with, and against the railroads for the past 30 years."

In the intermodal arena, CLX primarily serves North America—Canada, Mexico, and the continental United States as well as Alaska, Hawaii, and Puerto Rico.

Asked to name the most important factor businesses should consider in choosing a location for a manufacturing facility, warehouse, or distribution center, Hamilton cites accessibility to rail lines. "That's critical," he says.

This is especially true during periods when rail and/or truck capacity is limited. "Over these past 18 months, truck capacity has been a real problem," he says. "And the way we've been able to mitigate that for customers is by providing intermodal service. It's a lot easier to send drivers to a local dray than it is to find drivers who are willing to drive a few thousand miles and be away from their family for a few weeks."

CREATING ECONOMIC VALUE

CLX prides itself on providing superior service and cost efficiencies. "We create economic value through people, process, and technology," Hamilton says.

An important part of that formula is the deployment of a global transportation management system (TMS) designed for chemical shippers. "The mantra we use is that whenever we talk about customers, we try to bring economic value and look for continuous improvement opportunities," he notes.

Toward that end, the company's involvement abroad has been instructive.

"Logistics in Europe, Asia, and South America are extremely different from what we deal with in the United States," he says. "It's important to understand when it's appropriate to bring what we've learned in the United States to these places, and also when it's appropriate to recognize that what we do in the United States will not work in Germany or Korea, for example."

A global 3PL and 4PL provider of chemical transportation management solutions, supply chain consulting, and intermodal transportation, CLX Logistics deploys a large fleet of specially built, lightweight ISO tanks to safely transport bulk liquid chemicals.

Many of these international differences are regulatory, but Hamilton cites cultural differences as well, such as differences in the way truck drivers are treated.

It's an important lesson that has carried over into the company's operations in the United States. "Our approach has to be different in every region as we find efficiencies and savings for our customers," he says.

Regardless of locale, CLX is known for providing white-glove service. "We provide all our services in a white-glove fashion," Hamilton says. "We're a fairly flat organization, so customers get a lot of exposure to upper management, including the CEO."

Watson Land Company: CHOICE PROPERTIES

Location and choice serve as the hallmarks of Watson Land Company, a developer, owner, and manager of industrial properties throughout Southern California and the East Coast.

With more than 23 million square feet of warehouse and distribution facilities throughout the South Bay of Los Angeles, the Inland Empire (a metropolitan region that lies adjacent to Los Angeles), and the East Coast, Watson's buildings are designed and located to improve companies' supply chains as well as their distribution and warehousing operations.

Watson's properties include 13 master-planned communities in California, Pennsylvania, and New Jersey. Sites are positioned for proximity to seaports, airports, highway systems, and rail lines. Many feature Class A industrial buildings and cross-dock warehouse distribution amenities.

Watson's Inland Empire sites are specifically designed to accommodate the needs of companies and logistics operations that are drawn to the region as it further develops into the industrial location of choice.

Watson Center, Redlands, for example, lies in the heart of an area dedicated to industrial use and is ideally positioned along Interstate 10.

Watson Land Company, developer, owner, and manager of industrial properties, counts more than 23 million square feet of warehouse and distribution facilities throughout the South Bay of Los Angeles, the Inland Empire, and the East Coast.

The site provides an abundance of prime access to the 210 and 215 freeways as well as additional transportation centers including San Bernardino International Airport, Ontario Airport, Los Angeles International Airport, and the ports of Los Angeles and Long Beach. In addition, there is easy access to the Burlington Northern Santa Fe and Union Pacific rail lines.

Meanwhile, Watson Commerce Center, Fontana, features 652,174 square feet of industrial space on 32 acres within San Bernardino County, a distribution magnet in Southern California. With private parking lots exclusively for tenants, Watson Commerce Center, Fontana, fronts Interstate 10 and is close to the 15, 210, and 215 freeways. The site is within 50 miles of the Los Angeles and Long Beach seaports and the Burlington Northern Santa Fe and Union Pacific.

TAKING THE LEED

Totaling 3,680,000 square feet within 60 acres, Watson Commerce Center, Chino, is the first industrial project in Southern California to target LEED® certification, and four of its buildings have been certified Gold for New Construction.

The site features Class A offices and mezzanines with abundant clerestory glass and skylights for maximum natural light as well as 36-foot minimum clear heights, large fenced concrete truck yards, and 7-inch reinforced floor slab.

In Lehigh Valley, Pennsylvania, West Hills Business Center boasts two Watson-owned buildings that feature an abundance of sustainable warehouse space. The site offers proximity to several large metropolitan cities including New York, Philadelphia, Washington D.C., and Baltimore.

As part of its ongoing East Coast expansion, Watson has announced its latest acquisition in New Jersey. Located in East Greenwich Township, this logistics center offers two warehouse buildings totaling 535,790 square feet, including Class A design features, clear heights of 36 feet, and abundant dock high positions.

Strategically positioned within the Northeast Distribution Corridor, this state-of-the-art industrial park offers easy access to the Ports of New York, New Jersey, and Philadelphia, as well as the Newark Liberty International Airport and Philadelphia International Airport.

Port Tampa Bay: SMOOTH SAILING

Fundamental to site selection for logistics purposes is access to transportation routes, not only of the air and land variety, but also sea. Case in point: Port Tampa Bay, which offers the added advantage of easy transfers from one transportation mode to another.

"Port Tampa Bay is perfectly positioned to serve not only as the most efficient gateway to the huge and expanding Florida market, but to also reach customers throughout the Southeast and beyond by taking advantage of attractive northbound backhaul trucking rates," says Raul Alfonso, the port's executive vice president and chief commercial officer.

Port Tampa Bay has emerged as Florida's new supply chain solution for container cargo. The port recently added capacity, with more expansion underway, and stands ready to welcome new business, offering significant savings in inland delivery costs.

As the closest port to the growing Tampa/Orlando I-4 Corridor, Port Tampa Bay's location allows for multiple round-trip deliveries per day from roadway to waterway. "This capability reduces trucking costs and empty trucks on the road, providing numerous economic and environmental benefits," Alfonso says.

Port Tampa Bay also serves as the closest port to Florida's hub for the grocery and food and beverage sector.

"Our partner Port Logistics Refrigerated Services developed a state-of-the-art 135,000-square-foot cold storage warehouse, with 148 reefer plugs, and fumigation services, as well as an adjacent berth served by two dedicated mobile harbor cranes," Alfonso says.

Moreover, the port's ideal location provides shippers all the logistics assets of Florida's Distribution Hub with more than 400 million square feet of distribution center capacity.

Florida now has the 15th largest economy in the world and is one of the fastest-growing states in the country. The state's rapidly expanding population has overtaken New York, making it the third-largest state in the United States.

"Importers and exporters who support this huge consumer market are demanding a Florida-first supply chain strategy with expanded direct ocean container services," Alfonso says.

HOT MARKET WITH AMPLE ROOM FOR GROWTH

Home to nearly half of the state's 22 million residents and welcoming most of the state's more than 125 million visitors each year, the Central Florida region is one of the hottest industrial real estate markets in the country.

Of particular interest to site-selection teams is the region's room for growth.

"Port Tampa Bay is blessed to have plenty of land for expansion and stands ready to welcome new business and serve as a supply chain alternative and solution," Alfonso says. Port Tampa Bay's container volume has increased by 18% over the past year, he adds.

"Our port has easily accommodated this growth by staying ahead of the curve thanks to our terminal build-out program and working closely with our terminal operator partner Ports America by aggressively expanding capacity," he reports.

As a result, berth calls at Port Tampa Bay are smooth and efficient.

"Importers and exporters experience no waiting or congestion," Alfonso says. "Together with Ports America, the port has recently doubled its paved storage area, constructing a new gate complex. And we expect to receive three additional container gantry cranes later in 2022."

The new cranes will be operational by early 2023. The port also will soon break ground on a new on-dock transload warehouse, he reports. ■

SITE SEARCH CHECKLIST

Jolt your location quest by answering these questions, says Ohio State University Prof. Edward (Ned) Hill:

- Is your company using a site-location consultant or is the search being done in-house?
- How does your company account for real estate and does it want fixed assets on its books or not? If the company is privately held, how are the firm's real estate holdings structured?
- Is the search strategic or tactical? If it is a "fire drill" to solve an immediate production or space problem, the company runs a greater risk of "sub-optimizing" (a polite term for making the wrong choice). If it is strategic, make sure the entire team understands the goals.
- Has your company implemented lean management across the organization and is the search part of lean optimization?
- Is your company clear on the purposes of the proposed facility? Or another way of asking this question is: What is the problem that will be solved or the opportunity that is being addressed? The use determines the search, and clarity on the use will save time and money.
- Is your company currently using outsourced providers to fulfill the function? Should the function be reintegrated? If the function is integrated, does it provide some form of competitive advantage? If so, what is it?

Once you identify potential locations, explore these three critical areas:

- **Taxes.** How expensive are the taxes to your company and to its employees? What are the services provided in return? How important are those services to the company or to its employees?
- **Quality of life.** Does the location have the quality-of-life attributes your company seeks? Specific quality-of-life factors are important to specific demographic groups who are target employees. These can include housing availability and cost, education, recreation, childcare, and other social services.
- **Business services.** Does the region have service providers that are critical to the firm's operations?

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EXPANDING CAPACITY TO

FLORIDA'S

DISTRIBUTION

HUB

- No congestion
- Tampa/Orlando I-4 Corridor: 400 million SF of distribution center space
- E-commerce, consumer goods, perishables and building materials
- One of the hottest industrial real estate markets in the U.S.
- Expanded terminal capacity with plenty of room for growth
- Multiple round-trip truck deliveries per day from Port to distribution centers
- New and expanded container services with Central America, Mexico and Asia

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